The Methodist Church of New Zealand

Te Hahi Weteriana o Aotearoa

Administration Division
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CHRISTCHURCH

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SUPERNUMERARY FUND

INFORMATION ON PARISH CONTRIBUTIONS

THE SUPERNUMERARY FUND
OF THE METHODIST CHURCH OF NEW ZEALAND

The Methodist Church's Supernumerary Fund offers many advantages to member ministers, including greater flexibility and long-term benefits.

The Supernumerary Fund has been operated independently by the Methodist Church since 1913 and was registered as a superannuation scheme in 1983.

Within New Zealand there are two major types of employer-sponsored superannuation schemes.

DEFINED CONTRIBUTION (CASH ACCUMULATION) SUPERANNUATION SCHEMES

The most common type is the defined contribution scheme, where the employee makes a contribution to the fund, normally a percentage of their wages or salary, and the employer makes a similar contribution.

The employer contribution may not be for the same amount as paid by the employee and sometimes it is one and a half times or even two times the employee's contribution.

The contributions of the employee and the employer are accumulated into separate accounts, similar to a bank account, in the name of the employee.

Each year a share of earnings is added to each account and on retirement the employee is entitled to the capital sum accumulated in the two accounts.

This may be used to purchase a pension, taken as a lump sum or be left within the superannuation scheme to continue to gain earnings from the fund and drawn on as required by the employee in their retirement.

DEFINED BENEFIT SUPERANNUATION SCHEMES

The other type of employer-sponsored superannuation schemes are called defined benefit schemes. The Methodist Church operates this type of scheme for its ministers, as do all of the other major Christian church denominations in New Zealand.

In this type of superannuation scheme the employees or members make contributions into the scheme. In return they are entitled to receive benefits as a result of certain events as detailed within the Supernumerary Fund Trust Deed.

These events include retirement, death-in-service, permanent disability, financial hardship and withdrawal from the fund.

The value of the benefit is calculated based on formula as detailed within the Trust Deed. The formula usually includes a link to the number of years of contributions to the fund.

The employer or sponsoring organisation is required to ensure that sufficient funding is made into the scheme so that the benefits are able to be paid as they fall due.

It is for this reason that every three years an actuarial valuation must be undertaken to check the fund has sufficient resource to meet its obligations.

CHURCH CONTRIBUTIONS

To ensure the scheme is funded sufficiently, contributions are paid for each stationing appointment.

The contribution is required even when there is no ordained minister appointed or when a retired minister is filling an appointment and is no longer contributing to the fund.

The parish contributions are pooled for the benefit of all member ministers and not just for the benefit of a minister stationed at a parish.

There are a number of distinguishing differences between defined contribution and defined benefit schemes.

The investment risk in a defined contribution scheme falls on the member and the investment return determines the amount of earnings that will be credited to their accounts. Therefore, the investment policy in a defined contribution scheme is generally more conservative than with a defined benefit scheme, where the investment returns impact on the employer contributions required to meet the benefit to be paid.

Additional benefits such as death-in-service or permanent disability are normally provided by using external insurance companies and separate funding mechanisms in defined contribution schemes.

Because of the mutuality structure of defined benefit schemes, the additional benefits can be provided within the scheme, as the employer makes any additional funding required.

The mutuality of the fund allows for greater flexibility in a defined benefit scheme, whereas in the defined contribution scheme the individual account structure limits mutual benefits that can be made to members.

Payment of lump sum benefits on retirement is more easily achieved in a defined contribution scheme than in a defined benefit scheme. The Trust Deed of the Methodist Church scheme limits the amount of lump sum that can be paid on retirement and requires that a significant portion of the member entitlement be taken in the form of continuing pensions.

At the present time all benefits paid from superannuation schemes are tax free in the hands of New Zealand resident recipients. Members' contributions are made from tax paid income and employer contributions are subject to a withholding tax of 33 cents in each dollar.

The income of most superannuation schemes is taxable. However, church superannuation schemes are exempt from taxation as they are earnings of a charitable trust.

UNION PARISHES AND CO-OPERATIVE VENTURES

In accordance with the provisions in the Guide to Procedures in Cooperative Ventures ordained ministerial appointments will be made by the partner churches. The Uniting Congregation in Aotearoa New Zealand will confirm which partner church has the responsibility for make the appointment.

Consequently the obligations of a union or co-operative venture for superannuation contributions will be in accordance with the church that is responsible for making the appointment.

That obligation commences on later date of either:

- the conclusion of the ministerial appointment, or
- when the Uniting Congregations in Aotearoa New Zealand confirms which partner is responsible for the appointment,

whichever of these two events occurs last, and the obligation continues until the later date of:

- the next appointment concluding, or
- the Uniting Congregation in Aotearoa confirms that the responsibility has passed to another partner church

whichever of the two events occurs last.

The commencement of the obligation is not dependant upon the appointment of a minister but on the declaration that the partner church is responsible for the appointment unless the current appointment has not concluded in which case the obligation will change at the conclusion of the current appointment.

AMOUNT OF CONTRIBUTIONS

The Supernumerary Fund Trust Deed provides for parish contributions of three levels. All contributions are based on the basic stipend which is normally reviewed in July each year. Any change in the amount of the basic stipend automatically alters the value of parish contributions.

The levels of parish contributions are:

• Full time appointment	10 % of the basic stipend.
• Part-time appointment (less than 70% of a full time appointment.)	5 % of the basic stipend
• Nominal member contribution (This is normally only available for self supporting local ministries and provides for death in service and disability benefits.)	2% of the basic stipend

All parish contribution are subject to the Specified Superannuation Contribution Withholding Tax (SSCWT) of 33 cents per dollar. The tax is to be deducted by the parish and only the net amount (i.e. the full contribution less the withholding tax) is paid to the supernumerary fund each month.

The SSCWT must be paid to the Inland Revenue each month at the same time as the PAYE deductions that have been taken from stipend and wages using the IR 346 Inland Revenue Remittance form.